

AR44





QCTV LTD

DIRECTORS, OFFICERS AND MANAGEMENT

DIRECTORS

ELVIRA E. BARABASH

Edmonton, Alberta

GEORGE F. BONDAR

Edmonton, Alberta

ROBERT L. HUNTER

Toronto, Ontario

VLADIMIR H. KUPCHENKO

Edmonton, Alberta

ROBERT E. LEGATE

Edmonton, Alberta

HUGH H. MILLAR

Edmonton, Alberta

EDWARD J. POLANSKI

Edmonton, Alberta

GEORGE C. FIELD

Edmonton, Alberta

OFFICERS & SENIOR MANAGEMENT

EDWARD J. POLANSKI

President & General Manager

DAVID S. ROWAND

Secretary

CLIFFORD D. WILLIAMS

Controller

JANE SALY

Assistant Controller

GORDON CHECKNITA

Chief Engineer

GREGORY DEBACKER

Operations Manager

BILL LEE

Manager Programming
Advertising and Public Relations

STEVE STARCHUK

Sales Manager

HEAD OFFICE AND OPERATIONS CENTRE: 10538 - 114 Street, Edmonton

AUDITORS: **COOPERS & LYBRAND**, Chartered Accountants, Edmonton

BANKERS: **TORONTO-DOMINION BANK**, Edmonton Centre, Edmonton

TRANSFER AGENT AND REGISTRAR: **CANADA TRUST COMPANY**, Edmonton

QCTV LTD

COMPARATIVE HIGHLIGHTS

(For Fiscal Year 1977, ending August 31, with comparative figures for 1973, 1974, 1975 and 1976)

FINANCIAL

PROFIT/LOSS

	1973	1974	1975	1976	1977
Gross Revenue	\$ 961,310	\$2,185,984	\$2,838,501	\$4,095,798	\$ 4,708,645
Expenses	1,337,187	2,455,916	2,571,317	3,499,378	4,232,110
Net Profit (Loss)	(375,877)	(269,932)	267,184	596,420	476,535
Cash Flow from Operations	61,488	507,882	1,098,689	1,266,823	1,859,181

ASSETS (NET OF CAPITAL SPARES)

Additions to Fixed Assets (Net)	4,832,866	1,368,117	346,305	1,023,101	1,308,106
Investment in Fixed Assets (Cost) ..	6,517,798	7,885,915	8,232,220	9,255,321	10,563,427
Investment in Fixed Assets (Net) ...	6,083,876	6,746,398	6,402,884	6,482,485	6,843,805

OPERATING

SUBSCRIBERS

Estimated Potential Subscribers	70,000	71,000	71,500	72,500	78,000
Connected Subscribers:					
Individual Households	27,027	39,777	42,977	47,703	52,686
Extra Outlets	3,000	4,000	5,245	6,829	8,700
Commercial Bulk Outlets	2,500	3,500	4,654	4,770	5,405
Total Paying Terminals	32,527	47,277	52,876	59,302	66,791
QCTV Percentage of Penetration	38.6	56.0	60.1	65.8	67.5

QCTV LTD

REPORT TO THE SHAREHOLDERS

This is the sixth Annual Report of your Company, which I am pleased to present on behalf of the Board of Directors.

FINANCIAL RESULTS

Your Directors submit herewith audited accounts for the year ended August 31, 1977 with comparative figures for the same period in 1976. Company revenues increased 15% from \$4,095,789 in the previous year to \$4,708,645 in the reporting year. Overall expenses were held to an increase of 10.8% over the previous year, increasing from \$3,436,378 to \$3,808,110. Higher revenues and control of expenses increased cash flow from \$1,266,823 in the previous year to \$1,859,181 in the year ended August 31, 1977 for an increase of 46.8%. Your Company's after tax earnings, before extraordinary item, increased 35.8% from \$350,740 or 39.9¢ per share in 1976 to \$476,535 or 54.2¢ per share in 1977. Your Company paid its first dividend in the amount of \$110,000 or 12.5¢ per share in the reporting year, leaving a retained earnings balance of \$436,534.

FUTURE OUTLOOK

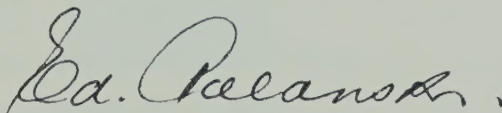
Your Company continues to expand service in new and contiguous areas, keeping pace with the growth of the City of Edmonton and Approval has been received from the Canadian Radio-television and Telecommunications Commission for your Company to serve the future satellite Town known as "ENOCH". Approval has also been received from the Commission to increase the basic subscriber rate from \$7.00 per month to \$7.25 per month, effective September 1, 1977.

NEW APPLICATIONS

Your Company filed applications to serve the adjoining Towns of Morinville and Devon, along with an increase to the existing service territory in west Edmonton. This application, together with an application for renewal of your Company's license, is to be heard by the Canadian Radio-television Commission at a Public Hearing to be held in Edmonton beginning December 13, 1977. A very important part of your Company's new business direction this year, has been to file applications to serve five additional regions in Alberta, within which there are twenty-six communities. The applications are expected to be heard in the spring of 1978 at a Public Hearing to be held in Calgary. There can be no assurance that approval will be granted to your Company for all or any of the regions for which applications have been filed.

With continuing system expansion, reduction of debt and interest charges and implementation of a 25¢/subscriber per month rate increase, your Company can expect a further increase in profitability and higher per share earnings in the 1977-78 fiscal year.

On behalf of the Board,



E. J. POLANSKI

President

January 16, 1978

QCTV LTD

BALANCE SHEET AS AT AUGUST 31, 1977

ASSETS

	1977 \$	1976 \$
CURRENT ASSETS		
Cash	120,191	64,064
Accounts receivable (note 4)	90,974	120,499
	<u>211,165</u>	<u>184,563</u>
INVESTMENT (note 2)	22,266	26,652
FIXED ASSETS (notes 3 and 4)	7,105,794	6,778,736
	<u>7,339,225</u>	<u>6,989,951</u>

LIABILITIES

CURRENT LIABILITIES		
Demand loan	430,000	400,000
Accounts payable and accrued liabilities	691,272	471,192
Service rentals received in advance	277,219	249,253
Current portion of long-term debt	732,400	903,107
	<u>2,130,891</u>	<u>2,023,552</u>
LONG-TERM DEBT (note 4)	1,585,400	2,134,000
DEFERRED INCOME TAXES	487,000	63,000
	<u>4,203,291</u>	<u>4,220,552</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)	2,699,400	2,699,400
RETAINED EARNINGS	436,534	69,999
	<u>3,135,934</u>	<u>2,769,399</u>
	<u>7,339,225</u>	<u>6,989,951</u>

SIGNED ON BEHALF OF THE BOARD

H. H. MILLAR, Director

G. C. FIELD, Director

QCTV LTD

STATEMENT OF EARNINGS

FOR THE YEAR ENDED AUGUST 31, 1977

	1977	1976
	\$	\$
REVENUE		
Service rentals	4,333,430	3,670,504
Installation sales	356,892	420,466
Other	18,323	4,828
	<u>4,708,645</u>	<u>4,095,798</u>
EXPENSES		
Operations and administration	2,125,205	1,760,769
Depreciation and amortization	959,008	852,709
Interest on long-term debt	297,309	454,120
Installation sales commissions	342,767	287,744
Municipal tax (note 6)	83,821	81,036
	<u>3,808,110</u>	<u>3,436,378</u>
EARNINGS BEFORE INCOME TAXES	900,535	659,420
PROVISION FOR INCOME TAXES — DEFERRED	424,000	308,680
EARNINGS BEFORE EXTRAORDINARY ITEM	476,535	350,740
EXTRAORDINARY ITEM		
Income tax reduction on carry-forward of losses	—	245,680
NET EARNINGS FOR THE YEAR	<u>476,535</u>	<u>596,420</u>
EARNINGS PER SHARE		
Earnings before extraordinary item	<u>54.2¢</u>	<u>39.9¢</u>
Net earnings for the year	<u>54.2¢</u>	<u>67.7¢</u>

STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED AUGUST 31, 1977

	1977	1976
	\$	\$
BALANCE — BEGINNING OF YEAR	69,999	(526,421)
Net earnings for the year	476,535	596,420
	<u>546,534</u>	<u>69,999</u>
Dividends paid	110,000	—
BALANCE — END OF YEAR	<u>436,534</u>	<u>69,999</u>

QCTV LTD

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED AUGUST 31, 1977

	1977 \$	1976 \$
SOURCE OF WORKING CAPITAL		
Provided from operations —		
Earnings before extraordinary item	476,535	350,740
Items not affecting working capital —		
Depreciation	959,008	852,709
(Gain) Loss on sale of fixed assets	(362)	374
Deferred income taxes	424,000	63,000
	<u>1,859,181</u>	<u>1,266,823</u>
Decrease in investment	4,386	6,832
Proceeds from sale of fixed assets	8,004	16
Income tax reduction on carry-forward of losses	—	245,680
	<u>1,871,571</u>	<u>1,519,351</u>
USE OF WORKING CAPITAL		
Decrease in long-term debt	548,600	878,108
Additions to fixed assets	1,293,708	823,927
Dividend paid	110,000	—
	<u>1,952,308</u>	<u>1,702,035</u>
DECREASE IN WORKING CAPITAL	80,737	182,684
WORKING CAPITAL DEFICIENCY — BEGINNING OF YEAR	1,838,989	1,656,305
WORKING CAPITAL DEFICIENCY — END OF YEAR	<u>1,919,726</u>	<u>1,838,989</u>

QCTV LTD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 1977

1. ACCOUNTING POLICIES

(a) Fixed Assets

Fixed assets are carried at cost. Depreciation is calculated on a straight line basis as follows:

Buildings and equipment 5%, 10% & 20%

Distribution system 10%

Capital spares are not depreciated until utilized in the distribution system.

(b) Income Taxes

The company accounts for income taxes on the tax allocation basis. Deferred income taxes are recorded when income taxes actually payable in respect of a year are reduced because of differences between the time certain items of revenue and expenses are reported in the accounts and the time they are reported for income tax purposes. These timing differences relate primarily to depreciation and capital cost allowance.

(c) Comparative Figures

Where applicable, comparative figures have been reclassified to conform with the presentation used in the current year.

2. INVESTMENT

The company holds a 25% interest in MKC Properties Ltd., a company formed with three other cable television companies to construct and operate a reception facility at Mount Kelly in British Columbia. The company's investment is represented by \$22,266 (1976, \$26,632) in advances and \$20 in shares. The company accounts for its investment on the equity basis. Accordingly, its investment has been reduced by \$4,386 during the year representing its share of the losses of MKC Properties Ltd.

3. FIXED ASSETS

	1977		1976	
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Distribution System	9,617,925	3,504,701	6,113,224	5,816,513
Land, buildings and equipment	945,502	214,921	730,581	665,972
Capital spares	261,989	—	261,989	296,251
	<u>10,825,416</u>	<u>3,719,622</u>	<u>7,105,794</u>	<u>6,778,736</u>

4. LONG-TERM DEBT

	1977	1976
	\$	\$

This amount includes:

Term bank loan — interest at 1½% above prime repayable \$700,000 per year secured by a general assignment of book debts; a fixed charge over land, buildings and equipment; a floating charge over all other assets.	2,000,000	2,700,000
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Agreement for sale — interest at 11% repayable in monthly installments of \$1,000 including interest due January 1, 1979

109,000 112,107

Term bank loan — interest at 1½% above prime — no fixed terms of repayment, being retired at \$2,700 per month — secured by fixed charge over land and buildings

208,800 225,000
2,317,800 3,037,107

Less: Current portion

732,400 903,107
1,585,400 2,134,000

5. CAPITAL STOCK

	1977	1976
	\$	\$
Authorized —		
2,000,000 common shares without nominal or par value		
Issued and fully paid —		
880,000 common shares	<u>2,699,400</u>	<u>2,699,400</u>

6. CONTINGENT LIABILITY

There is a difference of opinion as to the interpretation of an agreement with the City of Edmonton relating to the determination of the basis of calculating municipal taxes payable. If the City's interpretation is upheld, the company will be liable for an additional \$196,300. This would increase the municipal tax expense for the year by \$91,000 with a resulting decrease in net earnings for the year to \$427,395 and a reduction in earnings per share for the year from 54.2¢ to 48.6¢. Prior years' retained earnings would decrease by \$56,862.

7. TAX LOSS CARRY FORWARD

The company has accumulated losses for tax purposes of \$1,817,000 which may be carried forward and used to reduce taxable income in future years. These tax losses may be claimed no later than:

	\$
Year ending August 31, 1978	704,000
1979	986,000
1980	127,000
	<u>1,817,000</u>

8. STATUTORY INFORMATION

The aggregate direct remuneration of directors and senior officers as defined by The Companies Act (Alberta) amounted to \$110,189 (1976 — \$118,380).

QCTV LTD

AUDITORS' REPORT TO THE SHAREHOLDERS

October 12, 1977

We have examined the balance sheet of QCTV Ltd. as at August 31, 1977 and the statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at August 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand.
Chartered Accountants

